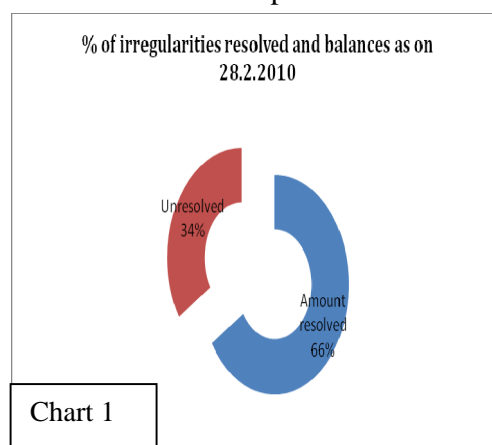


## PART-I Summary of the Review Report of AAR 2008

The Royal Audit Authority (RAA) had submitted the Annual Audit Report 2008 (AAR) with the total significant irregularities amounting to Nu.151.121 million to the Third Session of the First Parliament in May 2009. In line with the directives of the Parliament, the RAA carried out a further review of the unresolved irregularities and circulated a draft review report of AAR 2008 in January 2010 to all the agencies concerned for their comments, factual confirmation and further actions. The RAA made announcements via appropriate media requesting the agencies concerned to resolve the irregularities reported in the Annual Audit Report 2008.

Based on these initiatives, irregularities amounting to Nu.99.134 million (around 66%) were resolved leaving a balance of Nu.51.987 million (around 34%) as shown in Chart 1 and in Table 1. Out of unresolved irregularities of Nu.51.987 million, irregularities amounting to Nu.19.004 million were in the process of being resolved leaving a balance of Nu.32.983 million. Thus out of total unresolved irregularities of Nu.151.121 million reported to the Parliament in May 2009, irregularities aggregating to Nu.118.138 million (99.134 million + 19.004 million) i.e., 78.17% were either fully resolved or in the final stage of being resolved.

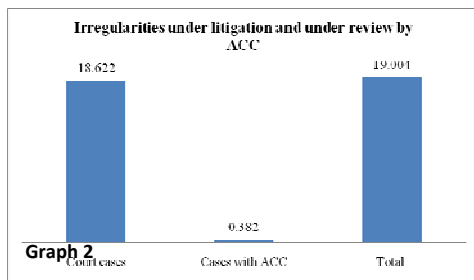
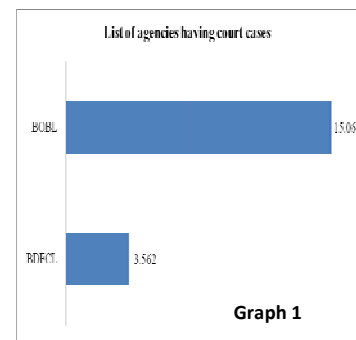


**Table 1 showing agency wise irregularities resolved and balances as on 28.02.2010**

| Sl. No | Agency                 | Amount reported in AAR 2008 (Nu) | Amount resolved (Nu) | Balance as on 28/02/2010 (Nu) | % resolved    |
|--------|------------------------|----------------------------------|----------------------|-------------------------------|---------------|
| 1      | Ministries             | 30.236                           | 23.118               | 7.118                         | 76.46%        |
| 2      | Dzongkhags             | 58.205                           | 36.438               | 21.767                        | 62.60%        |
| 3      | Gewogs                 | 4.593                            | 3.266                | 1.327                         | 71.11%        |
| 4      | Autonomous Bodies      | 23.261                           | 22.074               | 1.187                         | 94.90%        |
| 5      | Corporations           | 5.229                            | 3.262                | 1.967                         | 62.38%        |
| 6      | Financial Institutions | 28.720                           | 10.099               | 18.621                        | 35.16%        |
| 7      | NGOs                   | 0.877                            | 0.877                | 0                             | 100.00%       |
|        | <b>Total</b>           | <b>151.121</b>                   | <b>99.134</b>        | <b>51.987</b>                 | <b>65.60%</b> |

The non-governmental organizations had resolved the irregularities by 100% followed by autonomous bodies and ministries with 94.90% and 76.46% respectively. The dzongkhags, gewogs and corporations had also shown good progress and resolved the irregularities by 62.60%, 71.11% and 62.38% respectively. The financial institutions resolved the irregularities by 35.16%.

In respect of some of the agencies, issued could not be resolved as the cases were under litigation. Of the total unresolved irregularities of Nu.51.987 million, Nu.18.622 million pertained to court cases. Graph 1 shows the list of agencies whose cases are under sub-judice. Of the cases under sub-judice involving Nu.18.622 million, court verdicts in respect of cases amounting to Nu.16.026 were already issued. Based on which the ownership of property valuing Nu.12.464 million is being transferred to the bank. In one case the court had extended the prison term till the amount (Nu.3.562 million) is recovered. Further, cases involving Nu. 0.382 million are being reviewed by the Anti Corruption Commission.



Considering the court cases amounting to Nu.18.622 million and cases amounting to Nu.0.382 million under review by the Anti Corruption Commission as shown in Graph 2, remaining unresolved irregularities works out to Nu.32.983 million (51.987 million – 19.004 million) only.

The category wise unresolved irregularities as on 15.04.2009, irregularities resolved and status of unresolved irregularities as on 28<sup>th</sup> February 2010 is shown in the Table 2 below.

**Table 2 showing category wise irregularities resolved and balances as on 28.2.2010**

| Sl. No | Agency                            | Amount reported in AAR 2008 (Nu) | Amount resolved (Nu) | Balance as on 28/02/2010 (Nu) | % resolved |
|--------|-----------------------------------|----------------------------------|----------------------|-------------------------------|------------|
| 1      | Fraud, Corruption & Embezzlement  | 9.791                            | 4.844                | 4.947                         | 49.47%     |
| 2      | Mismanagement                     | 14.379                           | 13.496               | 0.883                         | 93.86%     |
| 3      | Violation of Laws and Rules       | 8.188                            | 7.704                | 0.484                         | 94.09%     |
| 4      | Shortfalls, Lapses & Deficiencies | 118.763                          | 73.090               | 45.673                        | 61.54%     |

|  |              |                |               |               |               |
|--|--------------|----------------|---------------|---------------|---------------|
|  | <b>Total</b> | <b>151.121</b> | <b>99.134</b> | <b>51.987</b> | <b>65.60%</b> |
|--|--------------|----------------|---------------|---------------|---------------|

A brief summary of the irregularities reported to the Parliament in May 2009, irregularities resolved thereafter and remaining unresolved irregularities under four categories is given below:

### **1. Fraud, Corruption and Embezzlement amounting to Nu.4.844 million resolved**

The aggregate amount of irregularities under the category fraud, corruption and embezzlement submitted to the Parliament was Nu.9.791 million. Out of which Nu.4.844 million only (around 49%) was resolved leaving a balance of Nu.4.947 million (around 51%) as shown in the table 3.

**Table 3 showing the agency wise cases of fraud, corruption and embezzlement resolved and balances as on 20.02.2010**

| Sl.No. | Agency                 | No. of unresolved cases | Amount reported to the Parliament (Nu) | Amount resolved (Nu) | Balance as on 28.2.2010 (Nu) | No. of cases resolved | % resolved    |
|--------|------------------------|-------------------------|--|----------------------|------------------------------|-----------------------|---------------|
| 1      | Ministries             | 17                      | 1.624                                  | 0.882                | 0.742                        | 3                     | 54.31%        |
| 2      | Dzongkhags             | 15                      | 2.276                                  | 2.254                | 0.022                        | 11                    | 99.03%        |
| 3      | Gewogs                 | 18                      | 2.034                                  | 1.413                | 0.621                        | 10                    | 69.47%        |
| 4      | Autonomous Bodies      | 2                       | 0.155                                  | 0.155                | 0                            | 0                     | 100.00%       |
| 5      | Financial Institutions | 2                       | 3.702                                  | 0.140                | 3.562                        | 0                     | 3.78%         |
|        | <b>Total</b>           | <b>54</b>               | <b>9.791</b>                           | <b>4.844</b>         | <b>4.947</b>                 | <b>24</b>             | <b>49.47%</b> |

As evident from table 3, the autonomous bodies had resolved irregularities amounting to Nu.0.155 million by 100% followed by the dzongkhags (99.03%), gewogs (69.47%) and ministries (54.31%). However, despite recovery of amounts by 100%, observations of autonomous bodies remained unresolved as details of actions taken were not furnished. The financial institutions had resolved irregularities amounting to Nu.0.140 million (around 4%) leaving a balance of Nu.3.562 million.

The details of cases of fraud, corruption and embezzlement resolved fully, pending actions and cases reviewed by the Anti Corruption Commissions are shown in Table 4.

**Table 4 showing No of cases of fraud, corruption and embezzlement resolved and unresolved cases as on 28/02/2010**

| Sl.No | Particulars   | No of cases | Amount reported (Nu) | Amount recovered (Nu) | Balance Amount (Nu) |
|-------|---|-------------|----------------------|-----------------------|---------------------|
| 1     | Cases with Anti Corruption Commission                   | 5           | 1.183                | 0.811                 | 0.372               |
| 2     | Cases settled fully (Amount recovered and action taken) | 24          | 2.798                | 2.798                 | 0                   |
| 3     | Amount recovered but action not taken                   | 8           | 0.606                | 0.606                 | 0                   |
| 4     | Amount partly recovered                                 | 14          | 1.393                | 0.295                 | 1.098               |
| 5     | Amount not recovered but action taken                   | 3           | 3.811                | 0                     | 3.811               |
|       | <b>Total</b>  | <b>54</b>   | <b>9.791</b>         | <b>4.510</b>          | <b>5.281</b>        |

Out of the 54 cases of fraud, corruption and embezzlement aggregating to Nu.9.791 million submitted to the Parliament in May 2009, 24 cases amounting to Nu.2.978 million were resolved fully. 5 cases involving Nu.1.183 million including Nu.0.811 million recovered are under review by the Anti Corruption Commission. Amounts were fully recovered in 8 cases involving Nu.0.606 million but remained unresolved as no actions were taken. In respect of 14 cases involving irregularities amounting to Nu.1.393 million, neither amounts were recovered nor actions were taken. However, irregularities amounting to Nu.0.295 were recovered from various cases leaving a balance of Nu.1.098 million. Though actions were taken against 3 cases involving Nu.3.811 million, yet the amount remained unresolved. The details of cases are discussed in Part II.

## **2. Mismanagement amounting to Nu.13.496 million resolved**

The overall amount of significant irregularities under 'mismanagement' category submitted to the Parliament in May 2009 was Nu. 14.379 million. Out of which, irregularities aggregating to Nu.13.496 million only (around 94%) were resolved leaving a balance of Nu. 0.883 million (6%) as shown in the Table 5.

**Table 5 showing agency irregularities resolved and balances under mismanagement as on 28.02.2010**

| Sl. No | Agency     | Amount reported in AAR 2008 (Nu) | Amount resolved (Nu) | Balance as on 28/02/2010 (Nu) | % resolved |
|--------|------------|----------------------------------|----------------------|-------------------------------|------------|
| 1      | Ministries | 2.236                            | 1.867                | 0.369                         | 83.50%     |
| 2      | Dzongkhags | 11.046                           | 10.700               | 0.346                         | 96.87%     |

|   |                                |               |               |              |               |
|---|--------------------------------|---------------|---------------|--------------|---------------|
| 3 | Gewogs                         | 0.220         | 0.052         | 0.168        | 23.64%        |
| 4 | Non-Governmental Organizations | 0.877         | 0.877         | 0            | 100.00%       |
|   | <b>Total</b>                   | <b>14.379</b> | <b>13.496</b> | <b>0.883</b> | <b>93.86%</b> |

As would be evident from table 4, the ministries, dzongkhags and NGOs resolved 83.50%, 96.87% and 100% of the irregularities respectively. The gewogs resolved only 23.64% of the irregularities.

### **3. Violation of Laws, Rules and Regulation amounting to Nu.7.704 million resolved**

The overall amount of significant irregularities under the category ‘violation of laws, rules and regulations’ submitted to the Parliament in May 2009 was Nu. 8.188 million. Out of which, irregularities amounting to Nu.7.704 million only (around 94%) were resolved leaving a balance of Nu.0.484 million (6%) as shown in Table 5.

**Table 6 showing agency wise irregularities resolved and balances under violation of laws and rules as on 28.02.2010**

| Sl.No | Agency            | Amount reported in ARR 2008 (Nu) | Amount resolved (Nu) | Balance as on 28/02/2010 (Nu) | % resolved    |
|-------|-------------------|----------------------------------|----------------------|-------------------------------|---------------|
| 1     | Ministries        | 5.381                            | 5.212                | 0.169                         | 96.86%        |
| 2     | Dzongkhags        | 0.792                            | 0.585                | 0.207                         | 73.86%        |
| 3     | Gewogs            | 1.909                            | 1.801                | 0.108                         | 94.34%        |
| 4     | Autonomous Bodies | 0.106                            | 0.106                | -                             | 100.00%       |
|       | <b>Total</b>      | <b>8.188</b>                     | <b>7.704</b>         | <b>0.484</b>                  | <b>94.09%</b> |

Table 5 shows that the ministries, dzongkhags, gewogs and autonomous bodies have resolved irregularities by 96.86%, 73.86%, 94.34% and 100% respectively showing significant progress in resolving the cases.

### **4. Shortfalls, Lapses and deficiencies amounting to Nu.73.089 million resolved**

The overall amount of significant irregularities under the category ‘Shortfalls, lapses and deficiencies’ submitted to the Parliament in May 2009 was Nu. 118.763 million. Out of which, irregularities aggregating to Nu.73.089 million (around 62%) were resolved leaving a balance of Nu. 45.674 million (around 38%) as shown in Table 6.

**Table 7 showing agency wise irregularities resolved and balance under shortfalls, lapses and deficiencies as on 28.02.2010**

| Sl.No | Agency                 | Amount reported in ARR 2008 (Nu) | Amount resolved (Nu) | Balance as on 28/02/2010 (Nu) | % resolved    |
|-------|------------------------|----------------------------------|----------------------|-------------------------------|---------------|
| 1     | Ministries             | 20.995                           | 15.156               | 5.839                         | 72.19%        |
| 2     | Dzongkhags             | 44.091                           | 22.899               | 21.192                        | 51.94%        |
| 3     | Gewogs                 | 0.430                            | 0.000                | 0.430                         | 0.00%         |
| 4     | Autonomous Bodies      | 23.000                           | 21.813               | 1.187                         | 94.84%        |
| 5     | Financial Institutions | 25.018                           | 9.959                | 15.059                        | 39.81%        |
| 6     | Corporations           | 5.229                            | 3.262                | 1.967                         | 62.38%        |
|       | <b>Total</b>           | <b>118.763</b>                   | <b>73.089</b>        | <b>45.674</b>                 | <b>61.54%</b> |

Table 6 shows that autonomous bodies resolved 94.84% of irregularities followed by the ministries (72.19%), corporations (62.38%) and dzongkhags (51.94%). While the financial institutions resolved 39.81% of irregularities, the gewogs failed to resolve any of the cases under this category.

#### **5. List of agencies that had resolved irregularities by 100%**

The agencies listed below are the one that had resolved irregularities by 100%

1. Dzongkhags - Trongsa and Lhuentse
2. Corporations - Penden Cement Authority Ltd., Construction Development Corporation Ltd., and Bhutan Telecom Corporation Ltd.
3. Autonomous Bodies - Centre for Bhutan Studies
4. Gewogs- Phobji Gewog, Kazhi Gewog, Athang Gewog, Kikhorthang Gewog, Barshong Gewog, Tangsibji Gewog, Langthel Gewog, Dragteng Gewog, Silambi Gewog, Gongdue Gewog, Kurtoe Gewog, Lhamoi Zingkha Gewog, Sampheling Gewog, and Phuentsholing Gewog.
5. NGOs - Youth Development Fund.

#### **6. List of agencies that did not respond**

The agencies listed below are the one that did not respond.

1. Dzongkhag – Bumthang
2. Gewogs – Geling, Getana, Drujegang, Lajab, Tsamang, Chengmari, Gasetsho Wom, Nangkor and Shingkar